

FACTS & FIGURES



**Location:** Central America, bordering the Caribbean Sea, between Guatemala and Mexico

**Area:** 22,966 sq km, slightly smaller than Massachusetts

**Climate:** tropical; rainy season (May to November); dry season (February to May)

**Population:** 287,730 (July 2006 est.)

**Languages:** English (official), Spanish, Mayan, Garifuna (Carib), Creole

**Capital:** Belmopan

**GDP (purchasing power parity):** \$2.3 billion (2006 est.)

**Exports - partners:** US 31%, UK 25%, France 5%, Jamaica 4% (2005)

**Local Currency:** Belizean dollar (BZD)

*Source: The CIA World Factbook*

# BELIZE



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## The Natural Niche

*Promising opportunities, incentives to investors and stunning natural beauty have put Belize in the international limelight. In the meantime, tourists keep flocking to the Central American nation, to discover rich heritage and outdoor adventures.*

The adjective "unique" is somewhat abused by the global tourism trade, yet Belize seems to warrant it. An English-speaking Central American nation in the Caribbean, Belize combines natural splendor with Mayan ruins, a multi-cultural society living in harmony and a government determined to make the best of its assets while preserving the environment. And this heavenly getaway is only two hours by flight from the United States. "We are Americans too," jokes Prime Minister Said Musa. "I don't think we should lose sight of that fact at all"

Belize was British Honduras until 1973 when it changed its name, and in spite of independence eight years later, remained a part of the Commonwealth with Elizabeth I as its queen. Bordered by Mexico to the northwest and Guatemala to the west and south, the country was once also an important part of the Mayan Empire.

The present population of almost 300,000 represents a rainbow of races from African to Chinese, and Spanish is quickly becoming its second language.

Add the largest barrier reef in the hemisphere, second only to the one in Australia, and 40% of protected reserves over a total expansion of 8,867 square miles and Belize becomes a very powerful tourism product: one which, at 20% of GDP, hasn't yet reached its true potential. "We have both the Caribbean and the Central American influences, with the best of both worlds," says Minister of Tourism Godfrey Smith. "Our geographic composition, our history and our culture provide a creative mix that can easily be integrated into the tourism product."

Belize has taken a niche-oriented approach to its development that has been very successful so far. Earnings from tourism increased by almost 24% in 2006, mostly

*"One of our major challenges is trade with the onset of globalization... We must become more competitive."*

Hon. Said Wilbert Musa, Prime Minister



due to stay-over visitors who have begun to appreciate the special advantages of ecological, adventure and archaeological tourism in the country. The 185 miles of coral reef and hundreds of unspoiled cays harbor a stunning variety of marine life that includes whales, dolphins, manatees, turtles, crocodiles and 14 spawning sites for endangered fish, making this a paradise for divers. The most famous site for diving is the Blue Hole, internationally promoted by Jacques Cousteau through a television special: it was originally a cave until the roof fell in 10,000 years ago and the land receded into the sea.

Numerous mangrove systems, offshore and along the coast, create ecosystems for more species of fish, birds and mammals such as the tapir and the jaguar. The baboons or black howler monkeys are protected at the Baboon Sanctuary in 18 square miles of private land, where they co-exist peacefully with the landowners. National parks set in rainforests feature caves, waterfalls, rivers, lakes and mountains like Victoria Peak as high as 3,675 feet. More adventurous tourists may canoe, kayak, fish or trek their way through miles and miles of reserves.

The outstanding archaeological sites of Altun Ha, Caracol, Lamanai and Xunantunich bear witness to the rich history of Belize, which may have been the heart of Mayan civilization between 250 and 900 AD. A visit to the palaces and temples set among woods and jungles is an interesting change from the busy physical activities provided by sea and nature.

With so much pristine environment and heritage, Belize is becoming a buzzword among developers, but it prides itself on being a model of sustainable development. "Any investor that comes here has to sign a compliance agreement with the Department of the Environment to ensure that they are not going to cause any adverse effects," Lourdes Smith of BELTRAIDE, the Belize Trade and Investment Development Service, points out. "That is one way to ensure that investment is being made wisely."

The hotel sector saw investment and renovations to the tune of \$33 million in 2006, generating an increase of 9.2% in accommodation revenues. New "tourist zones" in lesser developed areas are being identified to complement the diversity of offer: "There is an increase in the demand for Belize, and investments are being made to accommodate that demand," says Godfrey Smith. "Private condominiums and retirement homes are appearing in less developed places such as Ambergris Cay and southern Belize."

"Real estate development in Belize has been growing tremendously," agrees Amaldo Peña, Director of Belize Resort and Development Ltd. "The environment and development, in my opinion, go hand in hand to strike a balance. We cannot allow the country to remain in a pristine state as we need to stimulate the economy, but we have to adhere to the environmental laws of the country."



An aerial view of the Blue Hole, Lighthouse Reef Atoll



Princess Hotel & Casino www.princessbelize.com

Peña bought Turneffe Island and Grand Bogue Cay, where he plans to build an eco-resort. Half Moon Bay within Grand Bogue showcases a 5,000 ft long beach lined with palms and dreamlike development possibilities. "I've been very fortunate to have prime real estate with the type of development it offers," he says. "And I would like to see resorts that reflect what we try to promote in Belize."

Hotels, guest houses, condominium development and time shares may profit from generous fiscal incentives in the shape of duty free exemption. Investors will also benefit from an upgrade to the infrastructure including a \$40 million expansion of the airport that will attract aircraft from around the

world. Improvement of port facilities will cater to the 600,000 visitors who are arriving by cruise ship a year. "With increased investment in marketing and product development made by the public and private sectors as well as foreign investors, Belize has the potential to become a leading destination of choice, complete with world-class service excellence, and it can become the country's leading producing industry," says Godfrey Smith.



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## All Eyes on Belize

Since coming into office in 1998, Said Musa's government has taken stock of the country's potential and created niche markets for industries and services where Belize can compete effectively. Opportunities in agribusiness, ICT, tourism and finance keep investors coming.

In spite of the fact that its location in Central America and the Caribbean allows it to take advantage of many regional trade acts, Belize's main partner remains the United States. The US is also the foremost investor, bringing in a whopping 80% of FDI.

What is it that keeps investors coming? Advantages in Belize include fiscal incentives, minimal red tape, strong natural assets, Export Processing Zones (EPZ) and Commercial Free Zones (CFZ) and dynamic financial services. "One of our major challenges is trade with the onset of globalization," says Prime Minister Musa. "We are losing the preferential markets we enjoyed in the past, such as the European Union for our agricultural exports, and we must become more competitive."

Musa recently announced a 4% growth for Belize through a combination of debt restructuring and tight fiscal policies. Key to the success of the government's vision was the strong performance of exporters. 716,000 barrels of oil were exported by an Irish-US oil consortium in what may become an important industry for Belize after recent findings in Spanish Lookout. Agriculture, long the mainstay of Belize's economy, performed well in spite of some unfavorable weather.

BELTRAIDE's Executive Chairman Lourdes Smith oversees the promotion, enterprise development and investment incentives in the country, and she sees examples of new opportunities even in traditional



Ancient Mayan Civilization, Altun Ha

sectors. "Belize has a high potential for agro-processing," Smith points out. "But there is no industry to can any of our goods locally. We also encourage investment in the by-products of our commodities like fruit, or shrimp: their remains can be processed into animal feed. Then there is light manufacturing: a company can come from as far as Asia or Australia and establish itself in an EPZ and distribute to different nearby markets."

Other niche sectors that Smith would like to develop include environmental goods and services such as wooden furniture and handicrafts, ornamental flowers and organic and eco-labeled foodstuff that are supported by the natural characteristics of Belize. The Information Communication Technology (ICT) industry is also growing rapidly with software development, online gaming, offshore data processing and call centers profiting from the bilingual population.

Increasing awareness of "Made in Belize" premium products has driven up demand for anything from local papayas to orange juice and eco-tourism. Investors such as Marie Sharp, who created a brand of international pepper sauces in her kitchen and US fruit company Brooks are success stories of Belize's niche-oriented quality approach to competition.

Firms may be fully-owned by foreign investors and the repatriation of profits and dividends is allowed. BELTRAIDE helps potential investors find their niches, establish themselves and minimize red tape; it is also responsible for the management of the Fiscal Incentives Program, which essentially grants import duty exemptions to companies operating in Belize. Any investor in Belize also profits from its international trade agreements: the country presides over SICA (the Central American Integration System) until June, it is a member of CARICOM and of the Caribbean Basin Initiative (CBI) program, which forms part of the U.S.-Caribbean Basin Trade Partnership Act signed by former President Clinton.

Though a relative newcomer to financial services, the small nation has already managed to carve itself a niche in the sector: its International Business Companies legislation is viewed as one of the most modern worldwide and its Trust Law is also considered among the best. "Our financial legislation is very updated, open and liberal, and seeks to protect confidentiality," says Prime Minister Musa, whose government has given fresh impetus to the sector. "At the same time we have strong anti-money laundering provisions."

"The advantages of Belize as a jurisdiction include our laws," agrees Karen Acosta, Managing Director of Bay Trust Corporate Services Limited (BTCSL). "We're very competitive and the service is excellent. I think that greater things can happen for Belize in the offshore industry. I think we can go much further and I think we will."

BTCSL was established five years ago by Glen Wilson, who owns another company in Switzerland. Though he travels often to Belize and is the mutual funds expert at BTCSL, it is Acosta who oversees operations on a daily basis, concentrating mainly on the incorporation, management and administration of companies and trusts: with more than 25,000 offshore businesses and trusts registered in Belize since 1990, there is work to go round. "There is a lot out there for everybody," says Acosta. "But we are more of a 'boutique' company. We're focused on our clients and their needs and we're happy with that."

## Telecommunications: A Greater Reach

After the Telecommunications Act allowed competition in 2002, the variety of services has improved in Belize, with positive spillover effects for tourists who may need to "roam".

Competition became the name of the game in 2002 when the government of Belize decided to liberalize the telecommunications market, a move which made cellular phones and Internet more widely available and cheaper. "We want development," says Roberto Young, Chairman of the Public Utilities Commission (PUC), the body which regulates electricity, water and telecommunications. "But we don't want it to be costly for the consumer."

Belize Telecommunications Limited (BTL) was bringing service through 35,000 fixed lines and approximately 30,000 cellular lines using an analog system. A consolidation between the Belize Telecommunications Authority (BTA) and the international private operator Cable and Wireless, BTL held a monopoly over telephony. The Telecommunications Act of 2002 changed things, allowing the entry of new companies into the sector. "I think in any industry competition of some description is essential," says Dean Boyce, Chairman of the Executive Committee of BTL. "It is very difficult to get the best out of your business unless you have another organization against which you can judge your performance."

After a failed attempt by another operator to enter the market, Smart! obtained its license in August 2003 and competition effectively improved the market for telecom services. "We saw a reduction in prices when the monopoly was reversed. Also, one of the most important benefits of the Telecom Act has been the introduction of new technologies," says Young. "Before the threat of competition all we talked about was voice telephony. Now there are internet and digital mobile services. We have been able to maximize on technology without having to go through a learning curve."

In December 2002, shortly before competition started, BTL installed a GSM network with GPRS data capability: since then it has seen its 30,000 cellular users grow to 110,000. BTL has also invested heavily over the past four years on DSL Internet, managing to increase its usage by no less than twenty times. "We recognize that telecommunications really do drive the economy," says Boyce.



Taking a rest in South Water Caye

However, reaching remote locations in a country the size of Massachusetts with relatively low population density is not a simple matter. "We are currently expanding the GSM 850 service to as much of the country as we are reasonably able, given the financial constraints and the size of the target market," says Boyce. The next step is to install a completely new overlay wireless service network across Belize. "The wireless network that uses the 450 frequency will deliver voice and high-speed internet service to all the small rural communities, businesses and eco-hotels no matter where they are located in the country."

In spite of its status as a private company, BTL already subsidizes customers whose income falls below a certain level, and Boyce believes the company will be subsidizing users of the new wireless overlay even further. "We're looking at a very long payback period," he says. "But it's something that Belize as a whole needs."

Smart! came in with a lot of verve, making sensible agreements with BTL so as not to duplicate capital investments in facilities that were already in place. By offering per second billing, Smart! managed to drop rates by 40 to 50%; they also dropped prices on cellular phones. "We've been working very hard to democratize access to telecommunication service in Belize," says Eduardo Santiago, CEO of Smart! "Now people have better access to the services they need."

In a country that finds cellular phones more convenient than fixed lines, Smart! managed to entice 38,000 users in less than four years, a 29% share of the market. "We focus on efforts providing a wide array of wireless communication solutions," says Santiago. "And we've just launched international roaming for tourists who are coming in subscribing to providers that use CDMA technology. These roamers can now use their service in Belize."

Asked if the population of less than 300,000 could do with yet another operator in the sector, PUC's Roberto Young points out: "The Telecommunication Act is very pro-competition. We leave it to investors to decide whether the market is there, whether they can come in and compete."

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